Stated Meeting of the
Trustees of the University of Pennsylvania
November 1, 2002

A Stated Meeting of the Trustees of the University of Pennsylvania was convened on Friday, November 1, 2002, at 11:05 a.m., in Bodek Lounge, Houston Hall.


The complete texts of all resolutions passed in the course of the meeting are appended to this document and are to be considered part of the official record of this meeting.

I. Call to Order—Mr. James Riepe

A. Invocation—Rev. William Christian Gipson

B. The minutes of the meeting of June 21, 2002, were approved as previously distributed.

II. Chair’s Report—Mr. James Riepe

A. Comments
Mr. Riepe expressed sorrow at the passing of the Honorable Walter H. Annenberg and Mr. I. W. Burnham II and gratitude for the devoted service of several other trustees.

The following resolutions were presented and approved (full resolution texts are appended)

**Action 1.** Memorial Resolution for the Honorable Walter H. Annenberg, W’31, H’66

Mr. Riepe presented Lee Annenberg with the resolution, which had received a standing ovation, and thanked her for the generous gift recently given by the Annenberg Foundation to the University. Mrs. Annenberg expressed her thanks and her commitment to carrying on the Annenberg tradition of support for Penn.

**Action 2.** Memorial Resolution for I.W. Burnham II, W’31

Mr. Riepe presented the resolution to Tubby Burnham’s grandson Sandy and the latter’s wife Lisa, who were there for the occasion.

**Action 3.** Resolution of Appreciation for Yotaro Kobayashi, WG’58

**Action 4.** Resolution of Appreciation for Margaret R. Mainwaring, Ed’47, HON’85

Mr. Riepe presented the resolution to Margaret Mainwaring, who thanked the Trustees and described how meaningful a role Penn has played and will continue to play in her life.

**B. Nominating Committee Report**

The following resolutions were presented and approved (full resolution texts are appended)

**Action 1.** Resolution to Appoint Andrea Mitchell as Charter Trustee

**Action 2.** Resolution to Reappoint Madlyn K. Abramson as Term Trustee

**Action 3.** Resolution to Reappoint William L. Mack as Term Trustee

**Action 4.** Resolution to Reappoint Henry R. Silverman as Term Trustee

**Action 5.** Resolution to Appoint James J. Kim as Term Trustee
III. President's Report — Dr. Judith Rodin

A. Comments

Dr. Rodin commented that the 2002-2003 academic year was off to a great start. Two anniversaries were being celebrated, the 150th of the School of Engineering and Applied Sciences and the 125th of the School of Dental Medicine. Three new buildings would be dedicated this fall: Jon M. Huntsman Hall, the Robert Schattner Center for the Dental School, and the Pottruck Fitness Center. She expressed a debt of gratitude to those who contribute to the ongoing vitality of the University.

She reported that Penn had attracted Citizens Bank's $28-million neighborhood development initiative to West Philadelphia.

On a national level, Penn hosted the White House Town Meeting on the National Strategy to Secure Cyberspace. The I*STAR program was launched. Vice President Richard Cheney and Rudy Giuliani had both recently spoken at Penn.

Dr. Rodin reported that over two thousand parents and guests attended the recent family weekend. An effort was made to engage parents who are not themselves Penn alumni as active members of the Penn family and as donors.

The following resolution was presented and approved (full resolution text is appended)

Click here for full text of resolution

Action 1. Resolution to Appoint Clifford Stanley as Executive Vice President

B. Academic Report — Dr. Robert Barchi

Dr. Barchi reported on the progress of the Life Sciences Building. The new building will integrate teaching and research in the Life Sciences within one location. The construction of the building will take place almost entirely on the site of pre-existing structures. He noted that great care and expense had been put into preserving and enhancing the Biopond garden.

Dr. Barchi mourned the passing of Barbara Lowery, the Associate Provost. Walter Wales, emeritus professor of Physics and former Deputy Provost, has agreed to serve as Associate Provost.

Dr. Barchi reported on the inauguration of the new Center for Africana Studies, representing the merger of the undergraduate African-American Studies
Program, which is celebrating its 30th anniversary this year, and the Center for the Study of Black Literature and Culture.

Dr. Barchi acknowledged members of the faculty who have won prestigious awards this fall, including Dr. Raymond Davis who won Penn's second Nobel Prize in the last three years.

Members of the audience asked to address the trustees on the subject of the Biopond garden and were told by the Chair that the meeting was not an open one.

The following resolution was presented and approved (full resolution text is appended)

_Click here for full text of resolution_

**Action 1. Resolution on Appointments, Leaves and Promotions**

**C. Financial Report—Mr. Craig Carnaroli**

Mr. Carnaroli reported on the final audited results for FY02. For fiscal 2002, the University achieved positive performance despite the volatility in the economy and financial markets. Total revenue grew 5.3%, to a total of almost $3.4 billion, due in part to the growth in the Health Services component as well as overall growth in sponsored programs. Total expenses grew by approximately $200 million or 6.6% to a total of $3.3 billion, fueled in part by growth in research-related expenditures.

The largest single contributor to expenditure growth was compensation, which grew in part due to market-based nursing and allied health personnel wage increases in the Health System, as well as growth in sponsored-program activity. Employee benefit costs also contributed to this growth.

The endowment performed relatively well achieving a return of .1% and exceeding its benchmark by 6.8%. This put the University's performance in the top quartile of all universities with endowments over one billion dollars. The cash flow from operating activities exceeded $264 million dollars, an improvement over the last fiscal year. Finally, Mr. Carnaroli noted that, during the course of fiscal year 2002, both rating services revised their outlook on the University and Health Services from negative to stable.

Mr. Carnaroli next reported the preliminary results for the first quarter of FY03. For the academic component of the University, revenues were up 8.4% due in part to growth in sponsored-program activities. Expenses were up 4.8%, due principally to salaries and benefits. The endowment performance for the quarter
was down 8% but still exceeded its benchmark. He noted that non-operating contributions were up $23 million due in part to the generosity of the Meiklejohns for the Pottruck Center as well as to significant gifts for Arts and Sciences and Wharton. Both operating cash and cash flow exceeded prior levels.

Finally, with respect to the Health Services component for the first quarter, operating income exceeded budget by $3.5 million. Inpatient admissions were up 2.8% at all of Penn's hospitals. Days-in-accounts-receivable continued to decline, and at 72 days was 8 days less than at the end of the first quarter of FY02. Operating cash and cash flow were also stable, improving by $7 million over the previous year.

D. Penn Medicine Report—Dr. Gail Morrison

Dr. Morrison reported on the progress made on refinement of a financial model for Penn Medicine. Penn Medicine was working closely with Dr. Barchi to assure coordination with the University's strategic plan and other university-wide initiatives such as efforts in gender equity. She noted the Health System's return to financial stability. The financial performance continued to be quite positive with a net operating revenue for FY02 of $27.3 million. The month-to-month performance was positive to the budget.

IV. Chair's Report—Mr. James Riepe

The following resolution was presented and approved (full resolution text is appended)

**Click here for full text of resolution**

**Action 1.** Resolution on Amendments to the Statutes of the University of Pennsylvania

V. Committee Reports

A. Academic Policy—Natalie Koether, Esq.

Ms. Koether reported that the name of the Department of South Asian Regional Studies had been changed to the Department of South Asia Studies. The change was made because "regional" typically denotes an area studies program which largely involves the social sciences, whereas the current department had been reoriented over the past year or two to humanistic cultural studies.

She also reported on a presentation given to the committee by Rick Beeman, Deputy Dean of SAS and Dean of the College, on the pilot curriculum being developed in the College.
B. Audit and Compliance—Mr. Paul Kelly

Mr. Kelly reported that the financial statements for both the University and the Health System were approved by both the Committee and PriceWaterhouseCoopers, the outside auditor. The outside auditor had advised that both the University and the Health System had received clean opinion letters and that the financial statements of both entities had been prepared with GAAP (Generally Accepted Accounting Principles). On behalf of the Committee, he thanked the financial staffs of both the University and the Health System and the staff of the Office of Audit and Compliance for their continued excellent work during the past year.

C. Budget and Finance—Mr. L. John Clark

Mr. Clark reported that the committee had reviewed the audited financial report for FY02 and the flash reports for the first quarter of FY03. The same reports for the University of Pennsylvania Health System had also been reviewed. The Committee had also reviewed the financial strategies of the School of Arts and Sciences.

The following resolutions were presented and approved (full resolution texts are appended)

Click here for full text of financial report

Click here for full texts of resolutions

Action 1. Resolution to Authorize the School of Veterinary Medicine New Teaching and Research Building in the Amount of $50.7 Million

Action 2. Resolution to Authorize the Design and Construction of School of Engineering and Applied Science Skirkanich Hall in the Amount up to $38 Million

Action 3. Resolution to Authorize the School of Medicine Department of Radiology Lab Renovations of the Second Floor of 1958 Chemistry in the Amount of $2 Million

Action 4. Resolution to Approve the Redevelopment of the Property Located at 305-311 S. 40th Street, Philadelphia, Pennsylvania

Action 5. Resolution to Authorize Increased Balances in Letters of Credit Used to Support the University’s Programs of Self Insurance

Action 6. Resolution to Establish Authority for Approval of Real Estate and Business Services Transactions
D. Development—Mr. Michael Tarnopol

Mr. Tarnopol expressed his thanks to the Annenbergs and the Annenberg Foundation for their generous gift to the University and his sorrow for the passing of Walter Annenberg.

Mr. Tarnopol reported that in FY02 Penn raised $326 million and had cash receipts of $320 million. The annual giving programs were also very successful with over 92,000 donors giving $32.6 million in unrestricted support for the University.

He reported that the deans of the Law School and the School of Engineering and Applied Science had made presentations on the strategic directions and development opportunities at their respective schools.

Mr. Tarnopol reminded the trustees that their support for and participation in development activities are more important then ever as Penn continues to face significant fundraising challenges, due both to the economy and the global political situation.

E. External Affairs—Honorable Marjorie Rendell

Judge Rendell reported on WXPN's proposed move to a new home at the now-vacant Hajoca Building located at 31st and Walnut Streets. The facility would include new broadcasting and production technology, a performance venue, a restaurant, and office space for all of WXPN's departments. A capital campaign is under way to raise the $3.3 million needed.

She commented on the issue of Penn branding. The new Penn logo and web site have been successfully implemented.

Judge Rendell also spoke about the problems being faced by the University and students in the wake of the September 11th terrorist attacks. Penn is number two in the Ivy League for undergraduate international student enrollment and ranks number seven in the nation for institutions hosting scholars from abroad. Many students—undergraduate, graduate, and post doctoral—have had difficulties with delays or denials of visas. Penn's Office of International Programs has maintained constant communication with these students and is working to address the specific issues of each case.

F. Facilities and Campus Planning—Mr. William Mack
Mr. Mack commented on seven large projects on campus: Huntsman Hall, the Schattner Center, Pottruck Fitness Center, Levine Hall, the Quadrangle, the Bridge Cinema, and the Sadie Tanner Mossell Alexander University of Pennsylvania Partnership School. Huntsman Hall and Pottruck Fitness Center are both open and came in under budget. While it is currently open, the Schattner Center is expected to go over budget due to some issues related to the termination of the contract with the general contractor. Work has begun on Levine Hall and its anticipated finish time is early 2003. Work on the Quadrangle is nearly complete. The renovations included exterior restoration, landscaping, new College House public spaces, and new air conditioning. Two additional buildings in the Penn neighborhood have also been completed, the Bridge Cinema and the Sadie Tanner Mossell Alexander University of Pennsylvania Partnership School.

Mr. Mack reported that an update was given on the Retail Master Plan for the University that was compiled by the Madison Consulting Group. The retail strategy has been divided into three distinct districts on and around campus: University Square, 40th Street, and the Gateway and Medical Campus.

G. Neighborhood Initiatives – Mr. Gil Casellas

Mr. Casellas reported on the Graduate School of Education's involvement in partnering with the Philadelphia School District to help reform the lowest performing schools in the city. The serious commitment of the GSE faculty, students and staff to work with these schools shows the kind of leadership the trustees expect Penn to play in important issues for Philadelphia and nationally. Of particular note is the pioneering Sadie Tanner Mossell Alexander University of Pennsylvania Partnership School.

Mr. Casellas next reported on the strong performance of the retail operations and hotels at 36th Street and the planned developments along 40th Street. The Bridge Cinema, a feature of the 40th Street corridor, will open next week. Penn has met both the retail goals and goals of economic inclusion and minority representation in this work.

Mr. Casellas commented on the new partnership between Penn and Citizens Bank. The partnership will bring over $28 million of financing opportunities to non-profits and residents of West Philadelphia.

Mr. Casellas congratulated the Center for Community Partnerships and Ira Harkavy for their number one ranking by *US News & World Report* in service-learning programs. The center is celebrating its 10th anniversary this year.
H. Student Life—Mrs. Susan Catherwood

Mrs. Catherwood reported that Dr. Joyce Randolph, the Executive Director of Penn's Office of International Programs, had given a presentation on the current profile of the University's international student population and a comparison with peer institutions. Also addressed by Dr Randolph were the issues being faced by Penn's international students under current Homeland Security measures and how the new regulations would impact the resources of the office.

Mrs. Catherwood reported that they had also heard from undergraduate student leaders on their individual experiences as minority students at the University and about the impact of the four cultural resource centers, the Greenfield Intercultural Center, La Casa Latina, the Pan-Asian American Community House, and Makuu (the Black Student Cultural Center).

I. Investment Board—Mr. Howard Marks

Mr. Marks reported that Penn's investments had out performed their benchmark by 6.8%, achieving a return of 0.1% in a difficult period in the market.

J. Alumni Report—Mr. Leonard Shapiro

Mr. Shapiro reported that the Alumni Society Council of Representatives would be voting the following morning on the election of Lee Spelman Doty, W'76, and Deborah Marrow, CW'70 and GR'78, to fill two At-Large Alumni Trustee positions. On behalf of the Alumni Society he commended and thanked Alumni Trustees Jim Kim and Tony Kobayashi for their service. He also applauded the extension of Jim Kim's service to the University as a Term Trustee.

Mr. Shapiro commented on Alumni Society initiatives including the formation of a Student Alumni Society, an International Advisory Board, and a Council of Club Presidents.

He reported that 800 alumni had recently participated in a telephone survey of the various methods of communications outreach, including the comPENNdium Alumni Resource Guide, the Red and Blue Online e-newsletter, and The Gazette.

VI. Appointments to Overseer and Other Boards - Mr. Riepe

The following resolutions were presented and approved (full resolution texts are appended)
Action 1. Resolution to Appoint George E. Davis to the Board of Overseers of the Graduate School of Education

Action 2. Resolution to Appoint R. Bruce Rich, Esq., to the Board of Overseers of the Law School

Action 3. Resolution to Appoint David J. Berkman to the Board of Overseers of the School of Engineering and Applied Science

Action 4. Resolution to Appoint N. R. Naryana Murthy to the Board of Overseers of the Wharton School

Action 5. Resolution to Appoint David W. Brown and Doreen S. Wright to the Board of Overseers of the Annenberg Center for the Performing Arts

Action 6. Resolution to Appoint Ellen H. Kapito to the Board of Overseers of the School of Nursing

Action 7. Resolution to Appoint Jonathan M. Avnet to the Board of Overseers of the School of Arts and Sciences

Action 8. Resolution to Appoint Ione A. Strauss and Arnold A. Thackray, Ph.D., to the Board of Trustees of the University of Pennsylvania Press

VII. Adjournment

There being no further business before the board, Mr. Riepe adjourned the meeting at 12:15 PM.

Respectfully submitted,

Leslie Laird Kruhly
Secretary, University of Pennsylvania